



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
DAVIESS COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

DAVIESS COUNTY J. MICHAEL LIBS, COUNTY CLERK CALENDAR YEAR 1999 FEE AUDIT

Independent Auditors Report:

We would like to commend the Daviess County Clerk, J. Michael Libs, and Finance Officer, Linda Hale, for their excellent accounting procedures and record keeping. They have demonstrated a high degree of knowledge concerning the Commonwealth of Kentucky's automated reporting system for counties with population exceeding 70,000. In addition, their efforts to maintain accurate accounting records allowed for the efficient transition to the Commonwealth's new reporting system (MARS) in July 1999.

Financial Statements:

The County Clerk collected \$17,833,781 of receipts and appropriately distributed all funds. The County Clerk's operating fund had a balance of \$15,136 after all 1999 transactions.

Notes to Financial Statements:

Deposits of \$82,122 were uncollateralized as of December 31, 1999.

The County Clerk received a local records microfilming grant. The unexpended grant balance is \$11,646 as of December 31, 1999.

The County Clerk leased a vehicle at \$460 per month for 36 months. The total balance of the agreement is \$27,980 as of December 31, 1999.

Compliance and Internal Control Letter:

There was not any material noncompliance.

There were no reportable internal control weaknesses.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
Paul E. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Louis Reid Haire, County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Daviess County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1999. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Paul E. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Louis Reid Haire, County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 2000, on our consideration of the County Clerk's compliance with laws and regulations and internal control over financial reporting.

- We would like to commend the Daviess County Clerk, J. Michael Libs, and Finance Officer, Linda Hale, for their excellent accounting procedures and record keeping. They have demonstrated a high degree of knowledge concerning the Commonwealth of Kentucky's automated reporting system for counties with population exceeding 70,000. In addition, their efforts to maintain accurate accounting records allowed for the efficient transition to the Commonwealth's new reporting system (MARS) in July 1999.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 29, 2000

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1999

Receipts

State Fees For Services	\$	39,756
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Fiscal Court		85,135
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	2,141,196
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Usage Tax		9,102,411
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Tangible Personal Property Tax		5,433,440
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Licenses-

Fish and Game		9,895
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Marriage		33,637
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Occupational		867
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Beer and Liquor		6,817
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Deed Transfer Tax		254,461
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Delinquent Taxes		158,455
		17,141,179

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	62,056
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Real Estate Mortgages		128,789
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Chattel Mortgages and Financing Statements		250,188
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Powers of Attorney		4,138
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All Other Recordings		130,311
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Charges for Other Services-

Candidate Filing Fees		240
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Copywork		19,094
		594,816

Other:

Returned Check Fees	\$	1,890
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Miscellaneous		9,474
		11,364

Interest Earned		11,531

Gross Receipts (Carried Forward)	\$	17,883,781
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DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 1999
(Continued)

Gross Receipts (Brought Forward) \$ 17,883,781

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,629,699	
Usage Tax	8,832,966	
Tangible Personal Property Tax	1,753,211	

Licenses-

Fish and Game	9,530	
Delinquent Tax	30,063	
Legal Process Tax	85,815	
Candidate Filing Fees	<u>150</u>	\$ 12,341,434

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 622,809	
Delinquent Tax	23,149	
Deed Transfer Tax	240,887	
Occupational Licenses	558	
Beer and Liquor Licenses	<u>5,890</u>	893,293

Payments to Other Districts:

Tangible Personal Property Tax	\$ 2,825,011	
Delinquent Tax	<u>60,255</u>	2,885,266

Payments to Sheriff 10,593

Payments to County Attorney 24,548

Payments to Others:

Refunds	\$ 17,248	
Uncollected Returned Checks	<u>2,412</u>	19,660

DAVISS COUNTY
 J. MICHAEL LIBS, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Payments Made By County:

Postage	\$	896	
Election Expense		59,035	
Copier Maintenance		2,178	
Office Supplies		<u>74</u>	\$ 62,183

Total Disbursements			\$	<u>16,236,977</u>
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Net Receipts			\$	1,646,804
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Payments to State Treasurer:

75% Operating Fund	* \$	1,235,103	
25% County Fund		<u>411,701</u>	<u>1,646,804</u>

Balance Due at Completion of Audit			\$	<u><u>0</u></u>
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* Includes reimbursed expenses and fiscal court supplements to the County Clerk of \$84,464 for the audit period. See Note 1 to the Financial Statements.

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND FUND BALANCES OF THE COUNTY CLERK'S
OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 1999

	75% Operating Fund	25% County Fund	Totals
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
Fund Balance - January 1, 1999	\$	\$	\$
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,235,103		1,235,103
Fees Paid to State - County Funds (25%)		411,701	411,701
	<u>1,235,103</u>	<u>411,701</u>	<u>1,646,804</u>
Total Funds Available	\$ 1,235,103	\$ 411,701	\$ 1,646,804
 <u>Disbursements</u>			
Daviess County Government	\$	\$ 411,701	\$ 411,701
Personnel Services-			
Official's Statutory Maximum	78,395		78,395
County Clerk's Expense Allowance	3,600		3,600
County Clerk's Education Incentive	688		688
Deputies Salaries	739,793		739,793
Employee Benefits-			
Employer's Share Social Security	59,687		59,687
Employer's Share Retirement	64,214		64,214
Employer's Paid Health Insurance	94,128		94,128
Contracted Services-			
Advertising	707		707
Printing and Binding	9,393		9,393
Maintenance Agreement	20,026		20,026
Materials and Supplies-			
Office Supplies	20,547		20,547
Miscellaneous	278		278
Other Charges-			
Conventions and Travel	20,864		20,864
Insurance and Dues	23,766		23,766
Postage	2,920		2,920
Telephone	8,275		8,275
Election Expenses	59,035		59,035

DAVIESS COUNTY
 J. MICHAEL LIBS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING
 FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Auto Expenses-			
Parking Fees	\$	7,260	\$ 7,260
Capital Outlay-			
Office Equipment		874	874
Debt Service:			
Truck Lease		5,517	5,517
		<hr/>	<hr/>
Total Disbursements	\$	1,219,967	\$ 411,701 \$ 1,631,668
		<hr/>	<hr/>
Fund Balance - December 31, 1999	\$	15,136	\$ 0 \$ 15,136
		<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institutions and met requirements (a), (b), and (c) stated above. However, as of December 31, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$82,122 of public funds uninsured and unsecured.

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of December 31, 1999.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's official's agent in the county official's name	\$ 194,361
Collateralized with securities held by pledging depository institution in the county official's name	264,373
Uncollateralized and uninsured	<u>82,122</u>
Total	<u><u>\$ 540,856</u></u>

Note 4. Grant

The County Clerk was awarded a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$11,555. Grant funds totaling \$11,555 were received during calendar year 1999. Interest of \$91 was earned. No funds were expended during calendar year 1999. The unexpended grant balance is \$11,646 as of December 31, 1999.

Note 5. Lease

The office of the County Clerk is committed to a lease agreement for a vehicle. The agreement requires a monthly payment of \$460 for 36 months to be completed on November 30, 2001. The total balance of the agreement is \$27,980 as of December 31, 1999.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Louis Reid Haire, County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Daviess County Clerk's financial statements as of December 31, 1999, and have issued our report thereon dated June 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Daviess County Clerk's financial statements as of December 31, 1999, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Louis Reid Haire, County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 29, 2000

